

Message Text

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ACTION NEA-10

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC PRIORITY 242

C O N F I D E N T I A L CAIRO 5617

E.O. 11652: GDS

TAGS: EAIR, EFIN, EG, US, ABUD

SUBJECT: TWA/PANAM EGYPTIAN POUND HOLDINGS

REF: (A) CAIRO 4992, (B) STATE 087200

1. DURING MY MEETING WITH PRIMIN MAMDUH SALEM TODAY, I RECALLED THE LETTER I HAD GIVEN HIM A WEEK AGO ASKING THAT TWA AND PANAM BE PERMITTED TO CONVERT THEIR EGYPTIAN POUND HOLDINGS INTO DOLLARS IN THE SAME MANNER THAT LUFTHANSA HAD BEEN ALLOWED TO DO. I HAD SUBSEQUENTLY TALKED WITH MINFINANCE ABU ISMAIL, WHO CONTINUES TO OPPOSE ANY CONVERSION EXCEPT THROUGH AIRLINES PURCHASING DOLLARS ON PARALLE MARKET. ABU ISMAIL HAD AGAIN SPOKEN OF IATA APPROVAL OF A 12 PERCENT TICKET SURCHARGE AND SUGGESTED THIS SHOULD MAKE IT EASIER FOR AIRLINES TO PURCHASE DOLLARS WITHOUT LOSS. I NOTED I HAD TOLD ABU ISMAIL THAT IATA-APPROVED 12 PERCENT TICKET SURCHARGE REPLACED EARLIER 10 PERCENT SURCHARGE AND WAS HARDLY SUFFICIENT TO ENABLE TWA/PANAM TO BUY DOLLARS WITHOUT SERIOUS LOSS. RECALLING LUFTHANSA CONVERSION, I AGAIN EMPHASIZED IMPORTANCE OF AVOIDING ANY SUGGESTION OF DISCRIMINATION AGAINST AMERICAN FIRMS AND ASKED PRIMIN WHAT COULD BE DONE.

2. SALEM CLAIMED HE HAD AGAIN, "THREE DAYS AGO," TOLD ABU ISMAIL TO ALLOW ALL FOREIGN AIRLINES TO CONVERT THEIR POUND HOLDINGS INTO HARD CURRENCY.
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HE HAD ESPECIALLY MENTIONED TWA/PANAM. ABU ISMAIL

HAD DEMURRED, ARGUING (A) GOE IS SHORT OF HARD CURRENCY, AND (B) FOLLOWING IATA SURCHARGE, AIRLINES SHOULD BE ASKED TO BUY DOLLARS AT PARALLEL MARKET RATE. SALEM CLAIMS HE TOLD ABU ISMAIL THIS WAS HARDLY REASONABLE, ESPECIALLY IN CASE OF TWA/PANAM. WHEN EGYPT IS GETTING ALMOST A BILLION DOLLARS FROM US IN HELP, GOE IS HURTING ITSELF IN ARGUING ABOUT A FEW MILLION DOLLARS HERE AND THERE. PRIMIN INSISTE ABU ISMAIL IS UNDER INSTRUCTIONS TO ALLOW FOREIGN AIRLINES TO CONVERT THEIR POUND HOLDINGS AS SOON AS MONEY IS AVAILABLE.

3. I MENTIONED TO PRIMIN TWA/PANAM CONCERN AND THEIR NEED FOR DOLLARS. I ASKED IF I MIGHT INFORM TWA/PANAM THAT PRIMIN AGREES THEY WILL BE ALLOWED CONVERT THEIR POUND HOLDINGS INTO DOLLARS AS SOON AS GOE HAS DOLLARS AVAILABLE. PRIMIN AUTHORIZED ME TO SO INFORM TWA/PANAM AND ASK THEM TO HAVE PATIENCE A WHILE LONGER. HE HOPED SUCH CONVERSION WILL BE POSSIBLE "SHORTLY."

4. COMMENT: WE WILL INFORM TWA/PANAM OF ABOVE AND SUGGEST DEPT MAY WISH DO LIKEWISE WITH TWA/PANAM HEADQUARTERS IN NEW YORK. WE IN EFFECT HAVE A COMMITMENT FROM PRIMIN THAT GOE WILLING CONVERT AT OFFICIAL RATE, THOUGH CLEARLY ITS ABILITY TO IMPLEMENT THIS WILL DEPEND UPON DOLLAR AVAILABILITY. AS DEPT KNOWS, GOE CONTINUES TO BE SEVERELY STRAPPED FOR DOLLARS AND IS ANYWHERE FROM 35 TO 50 DAYS LATE IN PAYING ITS DOLLAR OBLIGATIONS. WE HAVE RECENTLY BEEN TOLD BY TWA/CAIRO THAT, UNLESS CONVERTIBILITY CAN SOON BE ARRANGED, IT IS UNDER INSTRUCTIONS TO SELL ITS POUND HOLDINGS ON PARALLEL MARKET FOR DOLLARS DESPITE LOSS THIS WILL ENTAIL. RECOGNIZE TWA'S NEED FOR CASH, BUT WE WOULD HOPE IT MIGHT BE ABLE TO HOLD OFF AWHILE LONGER IN CONVERTING ON PARALLEL MARKET, SINCE DOING SO WOULD UNDERCUT WHOLE PURPOSE OF OUR EFFORT AND SET AN UNFORTUNATE PRECEDENT. DOING SO WILL PLAY INTO ABU ISMAIL'S HANDS. WE WILL FOLLOW UP AS APPROPRIATE, AND AMB INTENDS

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RAISE MATTER AGAIN WITH ABU ISMAIL AS SOON AFTER HIS RETURN ON APRIL 29 AS POSSIBLE.

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Margaret P. Grafeld
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